

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 EA-11 NEA-10 ISO-00 SS-20 SPC-03 NSC-10

TRSE-00 SCEM-02 PRS-01 SCI-06 RSC-01 DRC-01 INT-08

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P R 101420Z JAN 74

FM AMEMBASSY PARIS

TO SECSTATE WASHDC PRIORITY 5973

INFO AMEMBASSY BONN

AMEMBASSY THE HAGUE

AMEMBASSY JIDDA

AMEMBASSY LONDON

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION USEC BRUSSELS

AMCONSUL BORDEAUX

AMCONSUL LYON

AMCONSUL MARSEILLE

AMCONSUL STRASBOURG

AMCONSUL NICE

C O N F I D E N T I A L PARIS 0743

E.O. 11652: GDS

TAGS: ENRG, FR

SUBJECT: ENRG: PRESIDENT'S INVITATION FOR ENERGY GROUP MEETING

REF: STATE 4153

1. COPY OF NIXON-POMPIDOU LETTER DELIVERED BY MINECON TO
BRUNET OF MFA JAN 9. BRUNET SAID HE NOT PREPARED TO COMMENT,
NOTING THAT IN ANY CASE GOF REACTION WOULD COME FROM
PRESIDENT'S OFFICE.

2. MINECON NOTED THAT THERE HAD BEEN NUMEROUS REPORTS IN LAST
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FEW DAYS ON SUBJECT OF FRENCH OIL NEGOTIATIONS WITH SAUDIS,

AND THAT GOF OFFICIAL SPOKESMAN HAD CONFIRMED THAT NEGOTIATIONS WERE CONTINUING TOWARD CONCLUSION OF SUBSTANTIAL, LONG-TERM AGREEMENT. HE ASKED IF FRENCH CONSIDERED BILATERAL DEALS OF THIS KIND TO BE COMPATIBLE WITH CONCEPT OF MULTILATERAL APPROACH TO OIL PROBLEM.

3. BRUNET SAID GOF CONSIDERED DEAL ALREADY CONCLUDED TO BE ENTIRELY UNEXCEPTIONAL; IT WAS FOR SMALL QUANTITY, OVER SHORT TERM, AND WAS REACHED IN REALIZATION THAT OTHER CONSUMING GOVERNMENTS WERE ACTIVELY SEEKING SIMILAR ARRANGEMENTS. ON LARGER

DEAL, BRUNET SAID QUESTION OF COMPATIBILITY REQUIRED KNOWLEDGE OF WHAT FORM MULTILATERAL APPROACH FAVORED BY US MIGHT TAKE; SURELY IT WAS NOT EXPECTED THAT BILATERAL DEALINGS WERE TO BE RULED OUT OR REPLACED BY JOINT PURCHASING OR ALLOCATION SCHEMES.

4. MINECON SAID NO ONE WAS ADVOCATING MULTILATERAL PURCHASING. WHAT THE PRESIDENT'S LETTER PROPOSED WAS A CONCERTED CONSUMER POSITION. WITHOUT SUCH A POSITION THERE WAS A DANGER THAT PRICES WOULD BE BID UP AND SOME CONSUMERS MIGHT GET A DISPROPORTIONATE SHARE OF SUPPLIES. BRUNET REPLIED THAT FRENCH DEAL WOULD NOT BID UP PRICES. ON CONTRARY, THEY FELT THEY HAD RECEIVED FAIR AND MODERATE TERMS. HE ALSO DENIED FRENCH ACTION WOULD PREEMPT SUPPLIES: QUANTITIES UNDER CONSIDERATION WERE NOT DRAMATIC OVER LONG TERM, CONSIDERING NORMAL GROWTH OF FRENCH CONSUMPTION AND HOPED FOR INCREASES IN SAUDI PRODUCTION. HE NOTED THAT FRANCE HAD IMPORTED 31 MILLION TONS OF SAUDI OIL OVER PAST YEAR AND EXPECTED TO INCREASE THAT QUANTITY IN ANY EVENT; IN VIEW OF INEVITABLE INCREASE IN PETROMIN-MARKETED OIL SHARE (AS RESULT OF EXPECTED REVISIONS IN PARTICIPATION AGREEMENTS), GOF FELT IT NECESSARY TO NEGOTIATE WITH SAUDIS NOW IN EFFORT TO SECURE ASSURANCES OF ADEQUATE FUTURE SUPPLIES.

5. BRUNET, IN ANSWER TO OUR QUESTIONS, INDICATED THAT LARGE OIL DEAL UNDER NEGOTIATION DID NOT CONTAIN ANY "BUY FRENCH" OR BARTER PROVISIONS. THE FRENCH EXPECTED THAT, AS A NATURAL MATTER, THEY WOULD BE IN POSITION TO SELL SAUDIS PETROCHEMICAL AND REFINERY EQUIPMENT, OIL TANKERS, ARMS, AND OTHER

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ITEMS WHICH THE SAUDIS WOULD WANT TO BUY EVEN IF THERE WERE NO DEAL. HE ADDED THAT SAUDIS WERE TRYING TO REDUCE THEIR DEPENDENCE ON US AS ARMS SUPPLIER AND ONLY REALISTIC ALTERNATIVES WERE FRENCH OR BRITISH. HE REGRETTED THAT GOF MISHANDLING OF PRESS, E.E., ATTEMPT TO MAINTAIN COMPLETE NEWS BLACKOUT, HAD LED TO SENSATIONAL "OIL FOR ARMS BARTER" TYPE STORES, WHICH HE DESCRIBED AS ABSURDLY INACCURATE.

COMMENT: ALTHOUGH BRUNET CHOSE NOT TO COMMENT ON THE PRESIDENT'S LETTER BEFORE HE HAD CAREFULLY STUDIED IT, IT IS EVIDENT FROM HIS OBSERVATIONS ON THE FRENCH-SAUDI DEAL THAT OUR PROPOSALS FOR THE DEVELOPMENT OF A CONCERTED CONSUMER POSITION WILL PRESENT THE GOF WITH A DIFFICULT DECISION. THEIR OBVIOUS PREFERENCE IS FOR ASSURING THEIR SUPPLIES THROUGH BILATERAL GOVERNMENT-TO-GOVERNMENT AGREEMENTS WITH PRODUCING COUNTRIES: FIRST, BECAUSE THEY BELIEVE THAT THEIR PRO-ARAB POLICY GIVES THEM AN ADVANTAGE OVER MOST OTHER CONSUMING GOVERNMENTS; SECOND, BECAUSE THEY SEE THIS AS A WAY OF INCRASING THEIR INFLUENCE IN THE MIDDLE EAST; THIRD, BECAUSE THEY SEE THE PRESENT SITUATION AS AN OPPORTUNITY TO BREAK WHAT THEY CONSIDER THE MONOPOLY POSITION OF THE INTERNATIONAL COMPANIES; AND FOURTH, BECAUSE THEY FEAR THAT ANY CONCERTED APPROACH WOULD INEVITABLY BE DOMINATED BY THE UNITED STATES.

THIS DOES NOT MEAN THAT FRANCE WILL NOT ACCEPT THE PRESIDENT'S INVITATION TO SEND A REPRESENTATIVE TO WASHINGTON. TO DO THIS WOULD BE TO CUT THEMSELVES OUT OF THE GAME ENTIRELY, AND WE DOUBT THAT THEY ARE PREPARED TO DO THAT. IT DOES MEAN THAT FRANCE'S INFLUENCE WILL PROBABLY BE EXERTED AGAINST THE KIND OF CONCERTED CONSUMER POSITION WE ARE SEEKING. WHERE THE GOF COMES DOWN WILL PROBABLY DEPEND IN THE FINAL ANALYSIS ON HOW THE DEBATE WITHIN THE COMMUNITY EVOLVES. IF A SOLID COMMUNITY POSITION IN FAVOR OF OUR PROPOSALS DEVELOPS (AND HERE THE ROLES OF THE UK AND GERMANY WILL BE CRUCIAL), IT WILL BE VERY DIFFICULT FOR FRANCE TO REMAIN ALOOF.
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